

AMENDED IN SENATE APRIL 17, 2006

SENATE BILL

No. 1398

Introduced by Senator Chesbro

February 22, 2006

An act to add Section 14301.2 to the Welfare and Institutions Code, relating to Medi-Cal.

LEGISLATIVE COUNSEL'S DIGEST

SB 1398, as amended, Chesbro. Medi-Cal: managed care: reimbursement.

Existing law provides for the Medi-Cal program, which is administered by the State Department of Health Services and under which qualified low-income persons receive health care benefits.

Existing law allows the Director of Health Services to contract with any qualified individual, organization, or entity to provide services to, or arrange for or case manage the care of, Medi-Cal beneficiaries.

~~This bill would state the intent of the Legislature to enact legislation to modify the calculation of reimbursement rates paid to Medi-Cal managed care plans in order to ensure both the actuarial soundness of those rates and the fiscal integrity of the delivery of services through the managed care model.~~

Existing law requires certain Medi-Cal managed care plans to be licensed by the Department of Managed Health Care under the Knox-Keene Health Care Service Plan Act of 1975.

This bill would require the State Department of Health Services to prepare a report, by January 10, 2007, containing specified information relating to the reimbursement rates for managed care plans under the Medi-Cal program authorized by the department for the 2003–04, 2004–05, and 2005–06 budget years. The bill would

prohibit the department from applying any portion of a budget adjustment factor to a Medi-Cal managed care plan whose reserves in the prior rate year were lower than 3 times the tangible net equity of the plan, and would prohibit the department from applying any portion of a budget adjustment factor to any other Medi-Cal managed care plan until the completion of the report required by these provisions. The bill would require the department, prior to the application of a budget adjustment factor to any Medi-Cal managed care plan, to consult with the Department of Managed Health Care regarding the financial status of the plan.

Vote: majority. Appropriation: no. Fiscal committee: ~~no~~-yes.
State-mandated local program: no.

The people of the State of California do enact as follows:

1 *SECTION 1. (a) The State Department of Health Services*
2 *shall prepare a report containing the following information for*
3 *the 2003–04, 2004–05, and 2005–06 budget years regarding all*
4 *Medi-Cal managed care plans:*
5 *(1) An actuarial analysis of the reimbursement rates under the*
6 *Medi-Cal program, including the aggregate and percentage*
7 *difference between the rates determined to be actuarially*
8 *appropriate and the rates authorized by the department.*
9 *(2) How the budget adjustment factor was determined and*
10 *applied by the department.*
11 *(3) How the department treated and analyzed plan financial*
12 *reserves in determining reimbursement rates.*
13 *(4) The average rate increases or decreases applied to the*
14 *managed care plans, independent of the budget adjustment*
15 *factor.*
16 *(5) The methodology for the calculation of the budget*
17 *adjustment factor for each budget year covered by the report.*
18 *(6) How the budget adjustment factor was applied in each*
19 *budget year, and the rationale for that application.*
20 *(b) In addition to the prohibition contained in Section 14301.2*
21 *of the Welfare and Institutions Code, the department shall not*
22 *apply any portion of a budget adjustment factor to any managed*
23 *care plan under the Medi-Cal program until the completion of*
24 *the report required by this section.*

1 (c) *The department shall file the report required by this*
2 *section with the budget committees of the Legislature on or*
3 *before January 10, 2007.*

4 SEC. 2. *Section 14301.2 is added to the Welfare and*
5 *Institutions Code, to read:*

6 14301.2. (a) *Notwithstanding any other provision of law, the*
7 *department shall not apply any portion of a budget adjustment*
8 *factor to a Medi-Cal managed care plan whose reserves in the*
9 *prior rate year were lower than three times the tangible net*
10 *equity of the plan, or whose Medi-Cal medical cost ratio was*
11 *more than 90 percent for the prior rate year.*

12 (b) *Prior to the application of a budget adjustment factor to*
13 *any Medi-Cal managed care plan, the department shall consult*
14 *with the Department of Managed Health Care regarding the*
15 *financial status of the plan.*

16 ~~SECTION 1. It is the intent of the Legislature to enact~~
17 ~~legislation to modify the calculation of reimbursement rates paid~~
18 ~~to Medi-Cal managed care plans in order to ensure both the~~
19 ~~actuarial soundness of those rates and the fiscal integrity of the~~
20 ~~delivery of services through the managed care model.~~